

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JULY 23, 2003

PRESENT: Chairman Anthony Maiola and Commissioner Patricia T. Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; John Laroche, Assistant Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; Aidan Moore, Chief of Enforcement; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouses.

EXCUSED: Commissioner John Byrne; Peter Engel, Director of Store Operations.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending 7/20/03 indicates retail sales were up about 5.3%, on-premise sales were up 10.4%, off-premise sales were down -6.6%, and total aggregate sales were up almost 4.81%. The traffic count increased by 6,595, while the average sales ticket was up by \$.47.

The W-1 Total Weekly Sales Report for the same week confirms total sales were up 4.81% or \$351,166, and were also up for the year by 9.57% or \$2,026,760. Wine sales increased by 20% or \$589,169 over the same week last year, as they did for the year by 14.65% or \$859,834. Sales of spirits for the week were up 8% or \$335,588, as they did for the year by 9.47% or \$1,151,349.

B. Budget Reports:

In regards to outstanding depletions and post-offs, Craig report that two good checks were recently received from one of the brokers to pay for all charges which were 90 days overdue. George Tsiopras will provide John Bunnell with the exact figures.

Craig has drafted a cover letter for Commissioner Maiola's approval and signature, to be sent with the StateWays article.

George and Craig developed a first quarter obligation document. Each vendor on the list will be contacted to see if they will accept one-quarter of the payment due them from the Commission. This could present a problem dealing with Dell, as the contract does contain a penalty clause. If all vendors will not agree, a letter will be drafted to Fiscal Committee. Because the Governor and Council and Fiscal Committee both meet on the same date in August, this could not be presented to Governor and Council until their first September meeting.

There was a meeting this past Monday with Rick Wicksund, Brian Law and James Babars of the Governor's Task Force on Efficiency. This committee reviewed the Commission's maintenance management system, store management system and building management system. However, they seemed to be more interested in how the agency was operating as a Commission. A letter of permission was signed by Chairman Maiola granting them permission to visit the stores. John Bunnell will check to make sure all stores are notified.

Craig is trying to get a memo together for in-house use relative to the three new stores the Commission is looking at. A letter has been sent over to Joe Bouchard in Administrative Services regarding the new Nashua store, and efforts are being made to solidify costs. Craig should have some documentation to present to the Commission this week.

Jim Goldberg, counsel for the NABCA, published a note regarding bioterrorism acts. This will affect the Commission in that all stores will be responsible for keeping track of alcoholic beverages and where they are sent. Howard Roundy asked that this be presented as a discussion topic at the upcoming Idaho meeting.

The W-6 Expense Budget Activity Report for the week ending July 22, 2003 shows the year to be at 6.03% completed, with 12.24% of the budget already expended. The major reason for this is salaries and benefits related, and these categories are being monitored. However, there is no need for concern at this point.

Accounting personnel continue to work on year-end financial reports and the maintenance contract.

Recruitment has begun for the payroll officer position. So far nine applicants have been interviewed for the Human Resources Administrator position, and interviews are expected to continue through the end of the month.

2. IT Report

The first round of interviews for the Assistant Director of IT position have been completed, with four candidates scheduled to come back for a seconded interview tomorrow afternoon.

IT personnel have been making changes to the licensee system to accommodate changes in the law. The warehouse ordering system at Law has been changed to allow for larger loads with less frequent deliveries.

Corrections to the credit card problems which occurred on July 3rd will probably be completed today. So far several hundred corrections have been posted already. Accounts Receivable is correcting their process at the point of complaint.

II. MARKETING & SALES REPORTS

1. Store Operations

Store #38 Portsmouth, which has been undergoing extensive renovations, has gone back to full set-up, with all registers up and running well. There is still some fine tuning of the wine section to be done in addition to some cosmetic work on the outside of the building. The new floor did not come out as well as expected, but this will be corrected.

a. Retail Store Employee Training-Underage & Intoxication:

It was moved by Commissioner Russell, seconded by Commissioner Maiola, that the Commission approve the transfer of three full-time employees from Store Operations to the Enforcement Bureau to assist in Enforcement training of store employees for a period of one year or more, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. A recruitment proposal will be sent out to the stores through Marketing today.

2. Purchasing Report

Three Olives, 1.75L size has been out of stock for four days due to a bottling problem. This has only effected four stores so far. The vendor is working on this situation to keep up the supply of this product.

3. Merchandising Report

A. SPIRITS:

1) Test Market Results (Codes #5164, #4811 and #566):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant specialty status to Code #5164, Bertagnolli Alexander Grappa, 750ML size and Code #4811, Frappin VSOP Cognac, 750ML size, both of which failed to achieve their respective gross profits required for full distribution at the conclusion of a six-month test market period, but did achieve their respective gross profits required for specialty status, and delist Code #566, Seagrams Mount Royal Light Canadian, 1.75L size, which failed to achieve both the gross profit required for full distribution and specialty status at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

2) Re-Appeal Smirnoff Vanilla 1.75L:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant a re-appeal from United Beverages, Inc. regarding the delisting of

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Code #3873, Smirnoff Vanilla Twist Vodka, 1.75L size, and reinstate this product as a specialty item, to be carried in specialty stores only. The motion was unanimously adopted.

3) September Special Offers:

a. 73 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of seventy-three (73) spirit items, to be featured on sale during September 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 2 additional items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve additional special offers, without matching State funds, based upon depletions of two (2) spirit items, to be featured on sale during September 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) September Consumer Raffle:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve September consumer sweepstakes sponsored by Martignetti Companies of N.H./Distillerie Stock in support of Code #5849, Gran Gala Orange Liqueur, 750ML size, and sponsored by United Beverages, Inc./Barton Brands in support of Code #2114, Black Velvet, 1.75L size. The motion was unanimously adopted.

5) Close-Out Purchase (Code #1043):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that an offer from United Beverages, Inc./International Brands, for the Commission to make a close-out purchase of delisted Code #1043, Rutherford 12-Year Old Scotch Ceramic Decanter, be tabled pending further information from the broker. The motion was unanimously adopted.

B. WINES:

1) New Hampshire Product Listings (16 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the general distribution of sixteen (16) wine codes, each of

which have earned a gross profit of at least \$6,500.00 during a twelve-month period, the majority of which have been in the retail and on-premise markets for which distribution will not be expanded, but which will be available to be ordered by all stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for September 2003 (93 items – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of ninety-three (93) wine items, to be featured on sale during September 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Wine Close-Outs (12 Barwang items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve wine close-out prices for twelve (12) Barwang wine codes (United Beverages, Inc./Future Brands LLC), which are not to be distributed to state stores at this time, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Close Out Pricing for United Beverages (26 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve wine close-out prices for twenty-six (26) wine codes (United Beverages, Inc.), as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Request Antinori Sweepstakes:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of N.H./Remy Amerique to conduct a consumer sweepstakes in support of five (5) Antinori wine codes, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Wine Specialty Products (12 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell,

that the Commission approve twelve (12) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Recommended Restricted Wines for Distribution to Selected Stores (7 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve seven (7) restricted wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) Primary Source Submissions (1 item – primary source; 6 items – exclusive agent; 11 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code which is from primary source, six (6) wine codes which are not from primary source, but are offered by the exclusive marketing agent and eleven (11) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) Tabled Items: 7 spirit offers from M.S. Walker (7/16/03, Item A-4-a); 16 wine offers from M.S. Walker (7/16/03, Item B-1-d): Both items remained on the table.

III. ENFORCEMENT & LICENSING REPORTS

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated July 17 through July 23, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

